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EX PARTE OR LATE FILED

June 16, 1998

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
Office of the Secretary
1919 M Street, NW, Room 222
Washington, D.C. 20554

RECEIVED

JUN 16 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Ex Parte
CC Docket No. 98-24 Application of AT&T Corp. and Teleport Communications
Group, Inc. for Transfer of Control

Dear Ms. Salas:

At the request of the Commission, the attached documents are hereby provided for inclusion in the record of the above-referenced proceeding.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(2) of the Commission's rules.

Sincerely,

A handwritten signature in cursive script that reads "Betsy J. Brady".

Attachments

cc: B. Dever
C. Fox
M. Pryor
F. Setzer
A. Starr

No. of Copies rec'd _____
List A B C D E _____

A handwritten number "022" written in cursive script.



Recycled Paper

March 1998

Volume 6, No. 3

Key Data & Analysis ... Concisely Presented

March 1998

REVIEW OF THE ANNUAL REPORT ON LOCAL TELECOMMUNICATIONS COMPETITION

9th Edition

**1998
CLEC REPORT:**

ANNUAL REPORT

ON

**LOCAL TELECOMMUNICATIONS
COMPETITION**

by

New Paradigm Resources Group, Inc.

EXECUTIVE SUMMARY

- The **1998 CLEC REPORT *Annual Report on Local Telecommunications Competition*** by New Paradigm Resources Group, Inc. is now available.
- As discussed in the Report, CLEC revenues grew by over 100% during 1997. 1996 revenue growth had been nearly 70%.
- Data services and access lines sold were major drivers of this growth.
- CLECs continue their aggressive switch deployment plans. CLECs will continue to implement these deployment plans during 1998.
- New CLECs with new ideas continue to drive industry expansion while established CLECs continue to implement proven business plans.
- CLECs continue to expand their offerings to include local, long distance and data services.
- To facilitate this expansion, CLECs will continue to deploy Class 5 switches and data switches.
- *The Ninth Annual CLEC Report* covers the tremendous change that occurred among the CLECs during 1997. The Report is now 840+ pages long.
- The interexchange carriers still found it tough-going to get involved in the local exchange market as facilities-based providers. AT&T pulled the plug, for all intents and purposes, on their local operations and then acquired TCG, while MCI announced significant losses in their local operations.
- Cable operators, for the most part, still have not entered the local market in a meaningful way as CLECs. They have, however, focused on high-speed data services as compliments to their CATV service.

INTRODUCTION

This year's CLEC Report (our *Annual Report on Local Telecommunications Competition*), captures tremendous change that has occurred among the CLECs during 1997. As reflected in the profiles section of the Report, CLEC strategies have continued to evolve, while new companies have continued to emerge. As a result, CLEC industry growth has continued to outpace all other sectors of the broader telecommunications industry.

As subscribers of our 1998 CLEC Report will see, our coverage has expanded with the CLEC industry. The Report is now 840+ pages long and we expect to develop an update service to capture the continuous change in this dynamic industry.

Our goal continues to be to provide our readers with *the most comprehensive set of data and information on the CLECs*. This data and information is developed with an eye specifically on three sets of readers: the investment community; the equipment and software manufacturers and, increasingly, the medium to large end-users – potential CLEC customers – seeking to learn more about their local telecommunications service alternatives.

Our Annual CLEC Report is recognized as the definitive source of information on the CLECs. And, in order to maintain that reputation in the face of the continuous industry changes, we have added staff, developed extensive databases and changed the format of the Report. All these adjustments have permitted us to stay on top of developments among the CLECs.

MAJOR INDUSTRY CHANGES

The CLEC industry continues to grow at almost an exponential pace, doubling during 1997. Table 1 below shows the aggregate CLEC growth for the essential industry parameters.

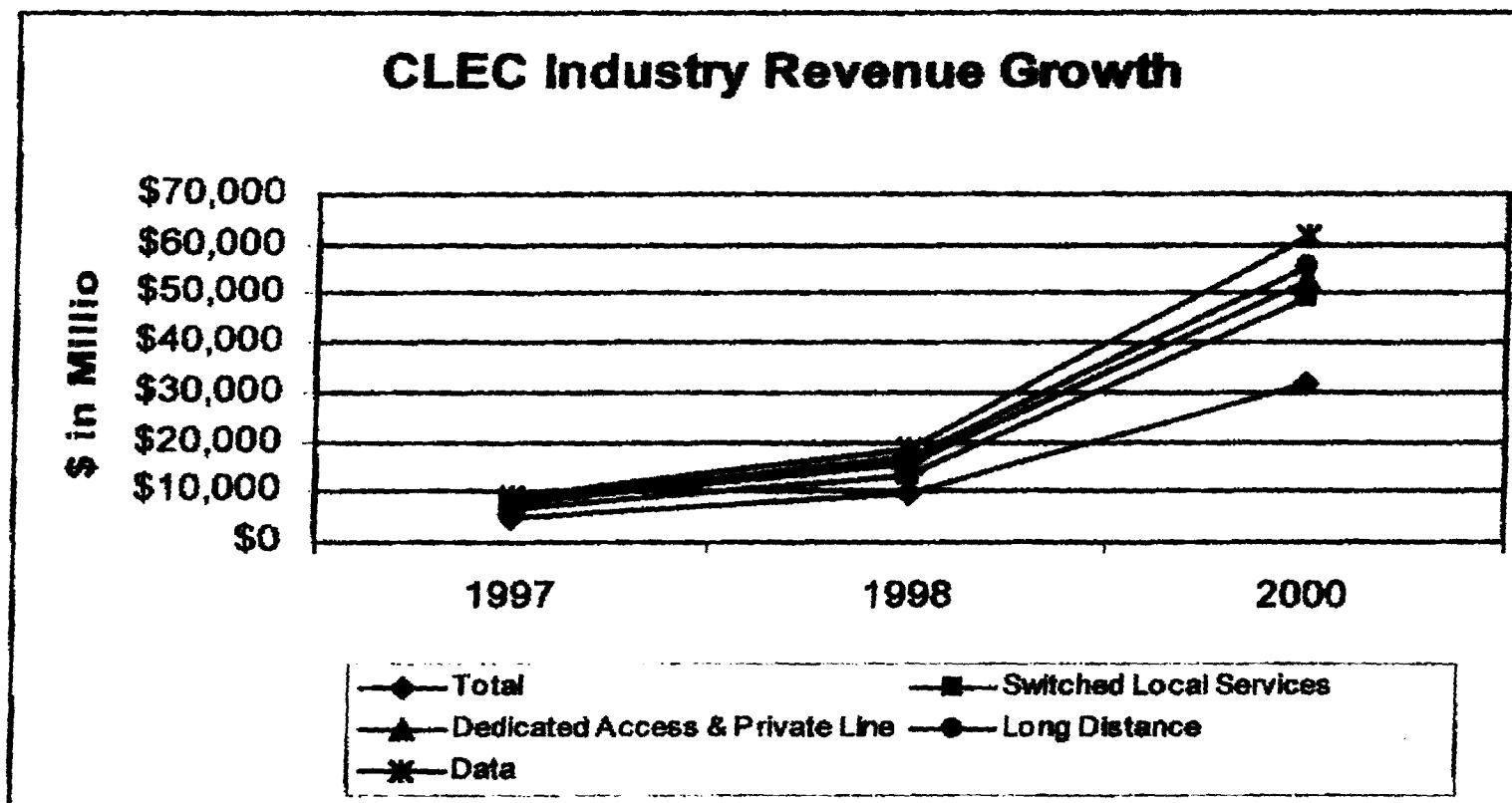
**TABLE 1:
CLEC INDUSTRY SNAPSHOT**

Companies Identified:	78	110
Total Revenue:	\$2.2 billion	\$4.5 billion
Network Route-Miles:	47,061	78,506
Voice Switches Installed:	139	328
Data Switches Installed:	n/a	331
Access Lines:	n/a	1,846,531

Source: New Paradigm Resources Group, Inc.

Graph 1 presents our revenue forecasts for the CLEC industry over the next three years (1997-2000).

Graph 1



Source: New Paradigm Resources Group, Inc.

March 1998

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March 1998

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CNG Telecom, Inc.
 WebCel Communications, Inc.
 CSWC Southwest Holdings, Inc.
 CSWC TeleChoice Management, Inc.
 CSWC TeleChoice, Inc.
 Southwest TeleChoice Management, LLC
 CSW/ICG ChoiceCom LP
 e Prime Telecom, Inc.
 Access Communications, LLC
 Dakota Cooperative Telecommunications, Inc.
 Dakota Telecommunications Systems, Inc.
 Dakota Telecom, Inc.
 Dakota Wireless Systems, Inc.
 Centerior Telecom Company
 Centerior Communications Holdings, Inc.
 Centerior PCS Cleveland, Inc.
 EUA Telecommunications Corporation
 Entergy ETHC Merger Company
 Sonitrol Southeast, Inc.
 Sentry Alarms Systems of America, Inc.
 NSS National Security Service, Inc.
 Automatic Detection Systems, Inc.
 Allied Alarms, Inc.
 BecoCom, Inc.
 RCN-BETG, LLC
 CNS Microwave, Inc. ("CMI")
 AEP Communications, LLC
 Virginia PCS Alliance, LC
 West Virginia PCS Alliance, L.C.
 Vanguard Communications, Inc.
 Connectiv Communications, Inc.
 EnergyOne L.L.C.
 PECO Hyperion Telecommunications
 PECO/RCN JV
 PECO Energy, Philadelphia
 TU Communications
 Pacific Telephone
 FTV Communications
 Citizens Communications
 CaroNet
 VPS Communications
 DukeNet Communications, Inc.

	<i>SCANA Communications</i>
	<i>MaineCom Services</i>
	<i>KLT Telecom</i>
	<i>Digital Teleport</i>
	<i>Kansas City Power & Light</i>
	<i>Small Munis & Coops</i>
Chapter 7:	1997 Regulatory Developments: Implementing the New National Policy
Chapter 8:	Markets Served by CLECs: CLEC Networks
	Operational & Under Development by City & State
Chapter 9:	CLEC Company Profiles
	<i>21st Century Telecom Group, Inc.</i>
	<i>ACC National Telecom Corp.</i>
	<i>Access Network Services, Inc.</i>
	<i>Advanced American Telecom, Inc.</i>
	<i>Advanced Communications Group, Inc.</i>
	<i>Advanced Radio Telecom Corporation</i>
	<i>Allegiance Telecom, Inc.</i>
	<i>American Communications Services, Inc.</i>
	<i>American MetroComm Corporation</i>
	<i>American Telco, Inc.</i>
	<i>Atlantic Telecom, Inc.</i>
	<i>ATS Network, L.L.C.</i>
	<i>Birch Telecom, Inc.</i>
	<i>BRE Communications, L.L.C.</i>
	<i>Brooks Fiber Properties, Inc.</i>
	<i>BTI</i>
	<i>Cablevision Lightpath, Inc.</i>
	<i>CalTech International Telecom</i>
	<i>CFW Telephone</i>
	<i>Climax Telephone Company</i>
	<i>Coast to Coast Telecommunications</i>
	<i>Columbia Telecommunications, Inc.</i>
	<i>Comav Corporation</i>
	<i>Commonwealth Telephone Enterprises, Inc.</i>
	<i>Convergent Communications, Inc.</i>
	<i>Covad Communications Company</i>
	<i>Cox Communications, Inc.</i>
	<i>Digital Teleport, Inc.</i>
	<i>Eagle Communications, Inc.</i>
	<i>Electric Lightwave, Inc.</i>
	<i>FirstLink Communications, Inc.</i>
	<i>First Regional TeleCom LLC</i>
	<i>FirstWorld Communications</i>
	<i>FiveCom, Inc.</i>
	<i>Focal Communications Corporation</i>
	<i>Forest City Telecom, Inc.</i>
	<i>GST Telecommunications, Inc.</i>
	<i>Hyperion Telecommunications, Inc.</i>
	<i>ICG Communications, Inc.</i>
	<i>InfoTel Communications, Inc.</i>
	<i>Intermedia Communications, Inc.</i>
	<i>ITC DeltaCom</i>

March 1998

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IWL Communications, Inc.
Jones Communications, Inc.
Kansas City Fibernet, L.P.
Kings Deer Telephone Company
KMC Telecom, Inc.
Knology Holdings, Inc.
Level 3 Communications
Local Fiber, L.L.C.
Logix Communications, Inc.
Marathon Metro, Inc.
MCI Local Service
McLeodUSA, Inc.
MEANS
MediaOne, Inc.
Metromedia Fiber Network, Inc.
MFS/WorldCom
MGC Communications, Inc.
MH Lightnet, Inc.
Michigan Independent Network, Inc.
Micro-Comm, Inc.
Multi Technology Services, L.P.
National Telecommunications of Florida
NewSouth Communications, L.L.C.
NEXTLINK Communications, Inc.
North Point Communications, Inc.
OCI Communications, Inc.
OpTel Telecom, Inc.
QST Communications, Inc.
RCN Corporation
RIO Communications
SouthEast Telephone, Inc.
Strategic Technologies
Supra Telecommunications & Information Systems
TCI Telephony Services, Inc.
TDS MetroCom, Inc.
Teleport Communications Group, Inc.
Teligent, L.L.C.
Time Warner Telecom
TriComm, Inc.
US LEC, L.L.C.
USLINK
USN Communications, Inc.
US Telco, Inc.
US Xchange, L.L.C.
Village Telephone, Inc.
Vitis Corporation
Waller Creek Communications
WinStar Communications, Inc.
W.T. Services, Inc.
XCOM Technologies, Inc.

Chapter 10: Competitors Watch List

Braman Communications
Cable Plus
Cable & Wireless
Cellular South
Columbia Communications
Connectv Communications
EXCEL Communications
Frontier Communications
Genesis Communications International
LCI International
New Millennium Communications Corp.
Northland Network Limited
Pac-West Telecomm, Inc.
Project Telephone
SCANA Communications, Inc.
Shared Communications Services
Tel3
Touch America
Universalcom

Chapter 11: Candidates List

Chapter 12: Where Are They Now?

AlterNet, Inc.
Associated Communications of LA
AT&T
BCI
Boulevard Phone Company
Comcast Corporation
Communications Buying Group
Consolidated Communications
Continental Cablevision
Diversified Communications, Inc.
Eastern Telelogic
Freedom Ring
GE Capital RESCOM
Intra-Community Communications, Inc.
Linktel
Metro Access Network
Metrolink
MidCom Communications
Neptune Communications, Inc.
Phoenix Network
Primus Telecommunications Group
Scherers Communications
Sprint Spectrum
Telco Communications Group
US ONE

CLEC COMPANY PROFILE CONTENTS

As has become our practice, the profile section of the Annual CLEC Report examines in detail each company comprising the overall industry. The original research of New Paradigm Resources Group, Inc. is presented in this section of the Report. This section also serves as the foundation of the analytical sections of the Report. Our CLEC Report is important in two significant ways: (1) it researches all facilities based CLECs, (not just the publicly-traded companies) and (2) it builds information from the ground-up (that is, we research and analyse the individual CLECs and then aggregate our data to produce our industry-wide information and forecasts).

The extended profiles contain the following information:

- Contact information for each CLEC including headquarters, address, phone number and fax number;
- Company ownership;
- Corporate officers and directors;
- Company "snapshot" summarizing key operating statistics;
- Network locations and operational status;
- Markets served by the CLEC;
- Network parameters;
- Reported revenues for 1997 (or NPRG's estimates of these revenues);
- Other key information.

Again, we present these profiles with an eye toward providing further insights into the specific CLECs for the investment community, equipment and software manufacturers (providing new services to this industry) and potential CLEC customers.

REGULATORY DEVELOPMENTS

As discussed in our Regulatory Policy Chapter, 1997 was a year of further litigation over the implementation of the 1996 Telecommunications Act. While the Act opened all local markets to competition, battles are still waged over actually seeing that happen.

STATUS OF THE INDUSTRY

As noted above, the individual company data is collected and analyzed to assess the overall industry status and its progress relative to previous years. A high level summary of industry data are shown in Table 1 on page 3. The disaggregated data are included in the extensive profiles contained in the Report.

Two figures that yield particular insights into the drivers behind the CLEC industry are: access lines sold by CLECs and data switches deployed. These figures shed light on the direction these companies are going as providers of the full range of switched services.

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CLECs sold nearly 2 million access lines during 1997 (essentially starting at zero at the beginning of the year). Accelerating this pace is the challenge facing CLECs in 1998. The CLECs ability to sell and deploy access lines will be used by the investment community as a proxy for their ability to capture and maintain market share.

The data switches deployed by CLECs reflect these companies ability to quickly tap into (and help drive) one of the fastest growing segments of the telecommunications industry. CLECs' revenue (in aggregate) derived from data switches grew by over 500% during 1997. The CLECs are well positioned to grow their data service revenues even further over the next three years.

NPRG expects 1998 to be an extraordinarily exciting year for the CLEC industry and the interested observers. We expect growth to continue, further consolidation and more new providers to emerge.

The information contained in these newsletters is based on sources believed to be accurate but not guaranteed by NPRG. Projections and estimates represent current judgment and are subject to change. Staff and ownership of NPRG may have beneficial interest in and may perform professional services for the companies mentioned in these newsletters.

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RECEIVED**AT&T, L&GA
BASKING RIDGE, NJ****STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102**

AGENDA DATE: 5/15/98

TELECOMMUNICATIONS

**JOINT PETITION OF AT&T CORP. AND
TELEPORT COMMUNICATIONS GROUP INC.
FOR DECLARATORY RULING THAT
THE BOARD LACKS JURISDICTION OVER
THE AGREEMENT AND PLAN OF MERGER,
OR, IN THE ALTERNATIVE, FOR APPROVAL
OF THE AGREEMENT AND PLAN OF MERGER**

ORDER

Docket No. TM98020050

SERVICE LIST ATTACHED**BY THE BOARD:**

On January 29, 1998, AT&T Corp. ("AT&T") and Teleport Communications Group Inc. ("TCG") (collectively "Petitioners"), filed a verified petition with the Board for a declaratory ruling that the Board does not have, or should not exercise, jurisdiction over the transfer of control of TCG to AT&T or, in the alternative, seeking authority to transfer control of TCG to AT&T pursuant to N.J.S.A. 48:2-51.1 and 48:3-7, and/or any other provisions of Title 48 deemed applicable by the Board. TCG is the ultimate holding company parent of Teleport Communications New York ("TCNY") and TCG Delaware Valley, Inc. ("TCG Delaware Valley"), competitive carriers authorized by the Board as public utilities to provide competitive local exchange services, private line services, and intrastate interexchange telecommunications services within the State of New Jersey. AT&T is the parent company of AT&T Communications of New Jersey, Inc. ("AT&T-NJ" as a public utility which provides competitive local exchange and interexchange telecommunications services in the State of New Jersey.

TCG is a Delaware holding company with headquarters at One Teleport Drive, Staten Island, New York 10311. According to Petitioners, TCG was the first and remains the largest provider

of competitive local exchange services in the United States. TCG is the parent, directly or indirectly, of a number of competitive carriers that operate facilities-based local exchange networks in 57 markets in 31 states, including New Jersey. TCG is the sole stockholder of TCG New York, Inc. ("TCGNY"). TCGNY is the sole stockholder of TC New York Holdings I, Inc. and TC New York Holdings II, Inc., all of which are Delaware corporations. TCNY is a New York partnership which is wholly-owned by TC New York Holdings I, Inc. and TC New York Holdings II, Inc. Thus, TCGNY is the corporate parent of TCNY and TCG is the corporate holding company of both TCNY and TCGNY. Pursuant to the Board's Order of Approval, dated June 20, 1996, in Docket No. TX95100501, TCNY is authorized to provide facilities based local exchange and facilities-based intrastate and interexchange telecommunications in the State of New Jersey.¹ TCG's operating subsidiaries also provide interstate and international telecommunications services as non-dominant common carriers pursuant to authority of the Federal Communications Commission ("FCC"). Additionally, TCG controls, through a wholly owned subsidiary, fixed microwave licenses in over 200 markets nationally, including portions of New Jersey, that provide an alternative facilities-based method to reach customers.

Petitioners supplied recent information concerning TCG, including TCG's most recent Report 10-K, which contains comprehensive information on TCG's financial status, operations, management, and services. According to Petitioners, this information, along with information concerning the legal, technical, managerial, and financial qualifications of TCG that was provided with its application for certification, filed with this Board in Docket Nos. TX95100501 and TM96120829, demonstrate that TCG, TCNY and TCG Delaware Valley possess the legal, technical and financial qualifications to offer

¹ Pursuant to an Order of Approval, dated February 3, 1997, in Docket No. TM96120829, the Board authorized TCG to purchase 100 per cent of the capital stock holding Eastern TeleLogic Corporation, which has since been renamed TCG Delaware Valley, Inc. Eastern TeleLogic had previously received authorization to provide local telecommunications services in the State of New Jersey.

telecommunications services to the public.

Petitioners also state that on January 13, 1998, ACC Corp. ("ACC") filed a notification letter with the Board, advising that TCG had entered into a definitive merger agreement with ACC Corp., which holds interexchange resale authority from the Board. The ACC/TCG Merger Agreement is independent of the subsequent AT&T/TCG Agreement. The acquisition of ACC by TCG was closed on April 22, 1998. Petitioners request that should the Board exercise jurisdiction over the acquisition of TCG by AT&T, the Board should declare that it does not have jurisdiction over the indirect acquisition of ACC by AT&T through its acquisition of TCG, or in the alternative, approve that transaction and incorporate and include permission for the indirect acquisition of ACC by AT&T through its acquisition of TCG.

AT&T Corp. is a New York corporation with headquarters at 32 Avenue of the Americas, New York, New York 10013-2412. AT&T on its own and through a number of subsidiaries is authorized to provide domestic and international telecommunications services throughout the United States. In New Jersey, AT&T's operating subsidiary, AT&T-NJ, provides local exchange and interexchange telecommunications throughout New Jersey. The Board in its June 20, 1996 Order of Approval, Docket No. TE95120653, authorized AT&T-NJ to provide local exchange service in New Jersey subject to the submission of tariffs. AT&T's operating subsidiaries are also authorized by the FCC to provide domestic interstate and international services in all 50 states and the District of Columbia.

Petitioners also included recent information concerning AT&T, including AT&T's most recent Report 10-K, which contains comprehensive information on AT&T's financial status, operations, management, and services. Additionally, the Board in its June 20, 1996 Order of Approval, concluded with respect to AT&T New Jersey that "by its many years of service to New Jersey customers as an interexchange carrier, AT&T has demonstrated its financial viability and ready access to the capital necessary to fulfill its obligations. It has also demonstrated the technical and management expertise necessary to fulfill its obligations to provide safe, adequate and proper service pursuant to N.J.S.A. 48:2-23." Petitioners request that this finding be incorporated

by reference in this docket. Petitioners also contend that AT&T, as the country's largest telecommunications company, clearly has the requisite technical, managerial, and financial qualifications to acquire control of TCG.

As set forth in the petition and exhibits, TCG and AT&T have executed an Agreement and Plan of Merger ("Agreement"). The proposed transaction is structured as a merger in which TA Merger Corp., a newly-formed Delaware subsidiary of AT&T created specifically for the purpose of consummating the transaction, will merge with and into TCG, with TCG being the surviving entity. Immediately following the merger, AT&T expects that TCG will begin offering services principally under the AT&T brand.

At the time of the merger, shareholders of TCG will receive, in exchange for each of the issued and outstanding shares of TCG, 0.943 shares of AT&T common stock as specified in the Agreement. Therefore, according to Petitioners, the proposed merger will result in a change in the ultimate owners of Teleport Communications Group Inc. but will not involve any immediate change in the manner in which TCNY and TCG Delaware Valley provide service to New Jersey customers. Petitioners indicate that the services currently being provided by TCNY and TCG Delaware Valley will continue to be offered pursuant to tariffs. Moreover, as stated in the petition, following the merger, TCNY and TCG Delaware Valley will continue to be led by a team of qualified telecommunications managers including existing TCG personnel. Therefore, Petitioners contend the merger will have no negative impact on TCNY or TCG Delaware Valley's customers in terms of the services that they receive and AT&T, TCNY and TCG Delaware Valley will honor all commitments to TCG's existing customers. Also, Petitioners further state this transaction will not immediately impact the employees of TCNY and TCG Delaware Valley and is expected to aid the growth of AT&T's local service offerings.

Further, Petitioners state that after the proposed transaction, TCNY and TCG Delaware Valley will also continue to offer their local customers a choice of long distance carriers, in compliance with their obligations under Section 251(b)(3) of the Telecommunications Act of 1996.

According to Petitioners, AT&T intends that TCG will become an important part of AT&T's facilities-based local exchange service offerings, and plans over time to integrate services being provided by TCG with other AT&T local exchange services such as AT&T Digital Link Service, which is currently being offered in New Jersey. These services will be marketed principally under the AT&T brand name as part of a broad range of telecommunications services, including long distance and enhanced services.

Petitioners contend that AT&T's acquisition of TCG will clearly and demonstrably benefit the public interest in increased competition in the market for telecommunications services in New Jersey. Petitioners state it is critical to AT&T's ability to provide robust competitive local exchange services that AT&T have alternative local infrastructure available to it and within its control and management. As stated in the petition, AT&T expects that the acquisition of TCG will accelerate and expand AT&T's provision of facilities-based local exchange service, primarily to business customers and to multiple dwelling units in high density markets currently served by TCG. AT&T also expects that the acquisition of TCG will enhance AT&T's ability to provide end-to-end service to broader classes of customers.

In its request for a declaratory ruling, Petitioners contend that under N.J.S.A. 48:2-51.1 or any other statutory provision, the Board does not have jurisdiction to review and approve the transfer of control of TCG to AT&T. Specifically, Petitioners argue that N.J.S.A. 48:2-51.1 does not apply because there will be no change, directly or indirectly, in the ownership or control of TCNY or TCG Delaware Valley, the subsidiary New Jersey utilities, since the sole ownership and control will continue to be vested in the current parent entity, TCG.

It is the Board's view that N.J.S.A. 48:2-51.1 gives it clear authority to review direct and indirect proposed changes in control of New Jersey operating utilities. N.J.S.A. 48:2-51.1 provides in pertinent part as follows:

No person shall acquire or seek to acquire control of a public utility directly or indirectly through the medium of an affiliated or parent corporation or

organization, or through the purchase of shares, the election of a board of directors, the acquisition of proxies to vote for the election of directors, or through any other manner, without requesting and receiving the written approval of the Board of Public Utilities.

In this case, while TCNY and TCG Delaware Valley under the proposed transaction will remain under the control of a company named TCG, this matter involves a complete transfer in control of TCG, with AT&T as the new owner. As a result, the proposed transaction will involve AT&T's acquisition of control of TCNY and TCG Delaware Valley, both public utilities in New Jersey. Therefore, the Board FINDS and CONCLUDES that Petitioners, pursuant to N.J.S.A. 48:2-51.1, must gain Board approval of the proposed transaction before the closing.

Consistent with the Board's statutory authority under N.J.S.A. 48:2-51.1, the Board reviews proposed transfers of control of companies which are the corporate parents of New Jersey public utilities in order to make sure there will not be an adverse impact upon the financial integrity of the utility and to ensure that said utilities will remain in a position to provide safe, adequate and proper service to customers. In keeping with the specific requirements of N.J.S.A. 48:2-51.1, the Board has reviewed and evaluated the proposed transfer of control to assess the impact of the transfer on competition, on the employees of the public utilities, and on the continued provision of safe and adequate services at just and reasonable rates.

The Board notes that the proposed transfer of control involves companies whose retail and wholesale interexchange services and operations in New Jersey are subject to competition from the numerous resale and facilities-based interexchange carriers operating in the State. With respect to local exchange service, in addition to TCNY and TCG Delaware Valley, the Board has approved certification of 15 other companies to provide local exchange service in New Jersey. Therefore, the Board believes that there is no basis to conclude that the proposed transaction would have an adverse impact on competition in the marketplace.

With regard to employment levels, Petitioners forecast

continued growth in TCG's operations because, as stated by Petitioners, following the transfer, it will become part of the local service operations of AT&T. Therefore, the Board finds that the proposed transfer will not have an adverse impact on employment in New Jersey.

The Board also finds that there will be no adverse impact on the rates and other terms and conditions of services available to New Jersey consumers. As explained above, the Petitioners state that TCNY and TCG Delaware Valley will continue to offer services under the terms and conditions under which services are currently provided. Moreover, given the numerous facilities-based and resale interexchange carriers currently offering services throughout the State, and the presence of the incumbent local exchange carrier and in some instances new competitive local exchange carriers in the area, the combined company will have a significant incentive to ensure the continued provision of safe and adequate service and to ensure that rates remain competitive.

In view of the foregoing, the Board FINDS that the proposed transaction is in accordance with law and is not contrary to the public interest. Therefore, the Board HEREBY ORDERS that Petitioners be and are HEREBY AUTHORIZED to transfer the control of TCNY and TCG Delaware Valley in conformance with the agreements and proposed transactions as described in the petition. The Board's authorization herein extends to the proposed corporate reorganization to occur subsequent to the proposed transfer of control, including the indirect acquisition of ACC Corp. The Board's authorization herein is also contingent on final Department of Justice (DOJ) and Federal Communications Commission (FCC) approval, if applicable. Should the DOJ or FCC determine that the merger would adversely affect competition or other aspects of telecommunications service, the Board reserves the right to re-examine the authorization granted herein to determine whether further proceedings or other action is necessary.

The Board DIRECTS Petitioners to comply with the following requirements:

- (1) Petitioners shall obtain all necessary federal regulatory approvals, if applicable, and notify

the Board with regard to any determinations relating thereto; and,

- (2) Petitioners shall promptly notify the Board upon the closing of the transaction, and any other material developments regarding this transaction which may affect the New Jersey systems should be promptly brought to the Board's attention.

DATED:

May 15, 1998

BOARD OF PUBLIC UTILITIES

BY:

[Signature]
HERBERT H. TATE
PRESIDENT

[Signature]
CARMEN J. ARMENTI
COMMISSIONER

ATTEST:

[Signature]
MARK W. NUSSER, ESQ.
SECRETARY

HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities
[Signature]

In the Matter of AT&T, and Teleport Communications Group for a Declaratory Ruling that the Board Lacks Jurisdiction Over the Agreement and Plan of Merger, or in the Alternative, for the Approval of the Agreement and Plan of Merger

Docket No. TM98020050

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**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held April 30, 1998

Commissioners Present:

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
John Hanger
David W. Rolka
Nora Mead Brownell

Joint application of AT&T Corporation and Teleport
Communications Group, Inc. for approval of agreement
and plan of merger whereby control of Teleport
Communications Group, Inc. will be transferred to AT&T
Corporation.

A-310213 F0006
A-310258 F0004

OPINION AND ORDER

BY THE COMMISSION:

On January 29, 1998, AT&T Corporation (AT&T) and Teleport Communications Group, Inc. (TCG) filed the above-docketed application pursuant to Chapter 11 of the Pennsylvania Public Utility Code, 66 Pa. C. S. ~~55~~ 1101, *et seq.* The applicants are requesting approval of stock transactions culminating in the change of control of TCG to AT&T. A copy of the application was served upon the Office of Consumer Advocate and Office of Small Business Advocate. Notice was required. The protest period ended on March 24, 1998. No protests were received.

TCG controls two competitive local exchange carriers, TCG Pittsburgh, Inc. (TCG Pittsburgh) and TCG Delaware Valley (TCG Delaware Valley). TCG's other jurisdictional Pennsylvania utilities are ACC Long Distance of Pennsylvania Corp. (ACC-

PA) and ACC National Telecom, Inc. (ACC National). As a result of the transfer, TCG Pittsburgh, TCG Delaware, ACC-PA and ACC National will be controlled by AT&T.

AT&T on its own and through operating subsidiaries is authorized to provide domestic and international telecommunications services throughout the United States. In Pennsylvania, AT&T's operating subsidiary is AT&T Communications of Pennsylvania, Inc. which is authorized to provide local exchange and IXC services. After the proposed merger, AT&T Communications of Pennsylvania, Inc. will continue to be controlled by AT&T.

To effectuate the transfer of control, AT&T has created a wholly-owned subsidiary, TA Merger Corp. Pursuant to an Agreement and Plan of Merger by and among AT&T, TA Merger and TCG dated January 29, 1998, TA Merger Corp. will be merged with and into TCG. TCG will become a wholly-owned subsidiary of AT&T and TA Merger Corp. will cease to exist. The surviving corporation will continue under the name of Teleport Communications Group, Inc. and will continue to be the parent of TCG Pittsburgh, TCG Delaware, ACC-PA, and ACC National. Ultimate control of the Pennsylvania utility affiliates of TCG will be held by AT&T.

At the time of the merger, shareholders of TCG will receive, in exchange for each issued and outstanding share of TCG, shares of AT&T common stock according to a formula agreed to by the parties.

Applicants have affirmatively demonstrated to the satisfaction of Commission staff that the proposed merger is in the public interest in that it will promote competition among providers of local and interexchange telecommunications services by combining the financial resources and managerial skills and experience of AT&T and TCG in providing telecommunications services to the public. The transfer will be virtually transparent to Pennsylvania customers, who will continue to receive services pursuant to tariffs currently on file with the Commission.

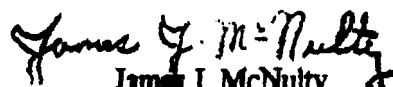
Our review of the subject application leads us to conclude that the proposed transfer is necessary or proper for the service, accommodation, convenience, or safety of the public, and that the joint application should be approved; **THEREFORE,**

IT IS ORDERED:

1. That the application for the approval of the transfer of control of Teleport Communications Group, Inc. to AT&T Corporation is hereby approved and that a certificate of public convenience be issued evidencing said approval.

2. That within 30 days following the consummation of the transactions approved in Ordering Paragraph No. 1, above, Teleport Communications Group, Inc. notify this Commission of the effective date of the change of control.

BY THE COMMISSION


James I. McNulty
Secretary

(SEAL)

ORDER ADOPTED: April 30, 1998

ORDER ENTERED: MAY 01 1998

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6070

Joint petition of Teleport Communications Group,)
Inc. and AT&T Corporation for Approval of)
Agreement and Plan of Merger)

Order entered: 5/20/98

INTRODUCTION

On January 30, 1998, Teleport Communications Group, Inc. ("TCG") and AT&T Corp. ("AT&T") (collectively the "Petitioners") filed a joint petition ("Petition") seeking approval from the Vermont Public Service Board ("Board"), pursuant to 30 V.S.A. §§ 107, 109 and 311, of a transaction whereby AT&T will acquire control of TCG.^{1/} AT&T is the holding company parent of AT&T Communications of New England, Inc., a nondominant carrier authorized by the Board to provide intraLATA and interexchange telecommunications services in the State of Vermont.

On April 23, 1998, the Vermont Department of Public Service ("DPS" or "Department") and the Petitioners jointly filed a Stipulation and Proposal for Decision recommending that this Petition be granted.

The Board has reviewed the Petition and accompanying documents and agrees that the Petition should be approved without a hearing.

FINDINGS

1. TCG is a publicly-traded Delaware holding company headquartered in Staten Island, New York. TCG is the first and largest competitive local exchange carrier in the United States. TCG is the parent, directly or indirectly, of a number of nondominant carriers

1. The Petition also sought Board approval pursuant to 30 V.S.A. § 108(a). However, the parties have stipulated that this Petition satisfies the requirements of 30 V.S.A. § 108(b), and that accordingly § 108(a) approval is not necessary.

that are authorized to provide a comprehensive array of local and long distance telecommunications services to customers in 33 states. TCG does not, however, currently have any subsidiaries operating in Vermont or holding any authorizations from the Board. Petition at 2-3. On February 20, 1998, in Docket No. 6034, the Board approved a Joint Petition of TCG and ACC Corp. ("ACC") for Transfer of Control of ACC to TCG. ACC is the holding company parent of ACC Long Distance of Vermont Corp ("ACC-LD"). While Petitioners anticipate that the TCG/ACC transaction will close prior to the closing of the AT&T/TCG transaction, the two transactions are independent of each other. *Id.* at 2.

2. The financial resources of TCG were demonstrated in TCG's consolidated financial statements for the years 1992 through 1996 (attached as Exhibit A to the Petition). TCG's annual revenues have grown from in excess of \$57.2 Million in 1992 to more than \$267.6 Million in 1996. As of June 30, 1997, TCG had assets in excess of \$2.1 Billion. Petition at 3.

3. AT&T is a New York corporation with headquarters at 32 Avenue of the Americas, New York, New York 10013-2412. AT&T-NE is authorized to provide intraLATA and interexchange telecommunications services in Vermont pursuant to certifications granted by this Board on December 13, 1988 in Docket No. 5261. AT&T, on its own and through a number of subsidiaries, is authorized to provide domestic and international telecommunications services throughout the United States. With its substantial financial resources, and by virtue of its experience as a provider of high quality, integrated voice, data and video transmission services, AT&T is qualified to acquire control of TCG. Petition at 3.

4. The financial resources of AT&T were demonstrated in AT&T's most recent Form 10-K (attached as Exhibit B to the Petition). Additional information concerning the legal, technical, managerial and financial qualifications of AT&T and AT&T-NE were provided with a petition to amend AT&T-NE's Certificate of Public Good, filed with the Board in Docket No. 6022, which petitioners have incorporated in the instant proceeding by reference. Petition at 4.

5. TCG and AT&T have determined that they will realize significant economic and marketing efficiencies by establishing TCG as a wholly owned subsidiary of AT&T. Petition at 6.